

Oversight Board Training

April 10, 2013



TRAINING OVERVIEW

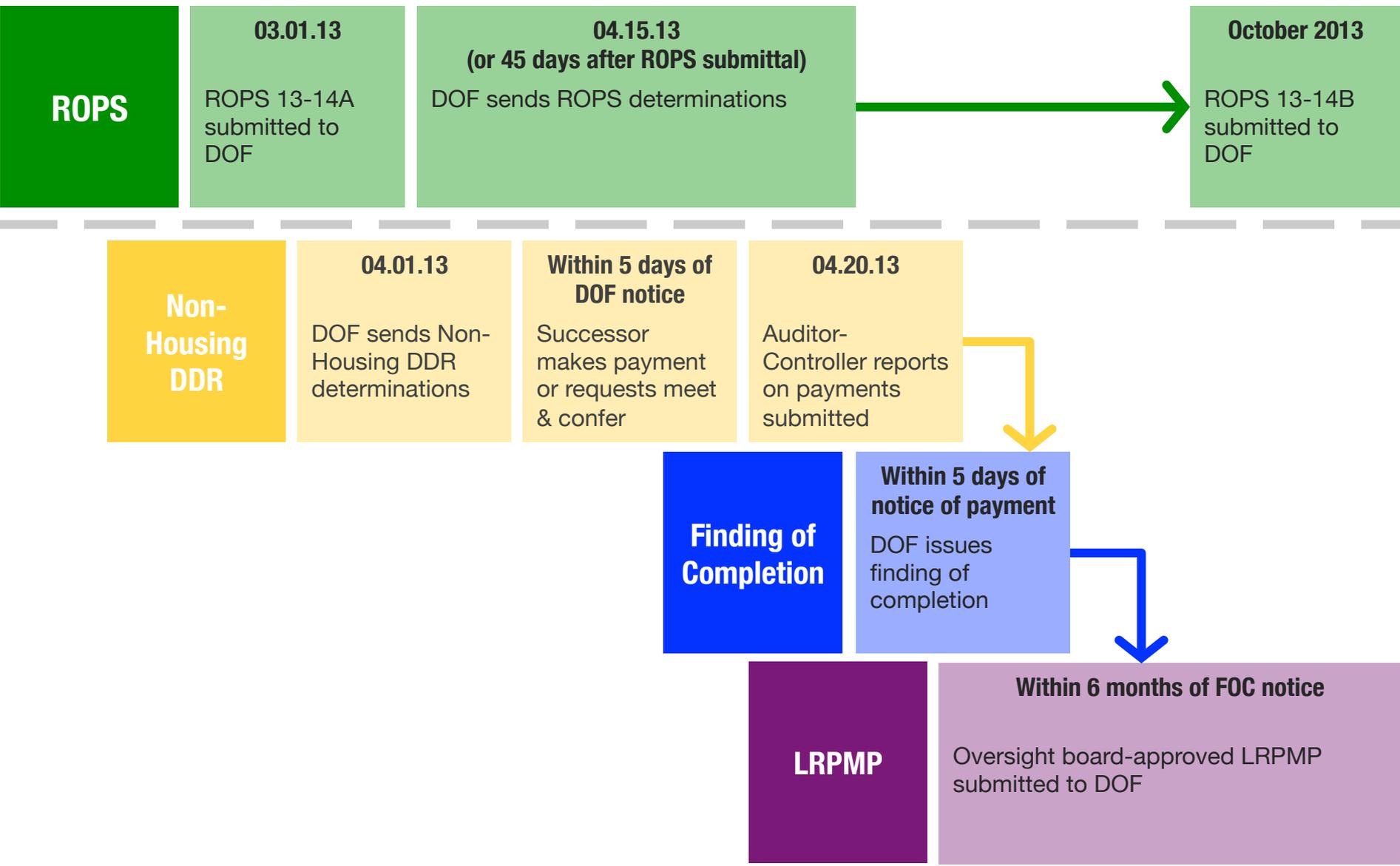
- Brown Act Regulations** 
- Upcoming Steps in Dissolution Process** 
- Finding of Completion** 
- Long Range Property Management Plan** 
- Unspent Bond Proceeds** 
- Loan Repayment** 
- Key Takeaways** 



A Reminder About the Brown Act

- **Regular Meetings require 72-hour notice**
- **Special Meetings require 24-hour notice**
- **Successor agency supporting materials should be provided to all oversight board members as soon as the documents are ready**

UPCOMING STEPS IN DISSOLUTION PROCESS



Where are we in the Process?

- **Non-Housing DDR determinations complete***
- **Successor agencies to pay amounts owed within 5 business days or request a meet & confer**
- **After amounts owed are paid, then a Finding of Completion is issued by DOF**

*Note that not all Non-Housing DDR determinations may have been received

What is a Finding of Completion?

- **The Finding of Completion is issued by DOF after the Successor agency has paid the following:**
 - Amounts owed in FY 2011-12 [§34183.5]
 - Amounts determined through DDRs [§34179.6]
- **Finding of Completion issued within 5 business days of County Auditor Controller confirmation that amounts have been paid [§34179.7]**

Importance of Finding of Completion

- **Issuance of a Finding of Completion allows successor agencies to do the following (with oversight board approval):**
 - Dispose of property in accordance with a Long Range Property Management Plan (LRPMP) [§34191.3]
 - Spend bond proceeds issued on or before Dec. 31, 2010 [§34191.4(c)]
 - Reinstate loan agreements between former RDA and City [§34191.4(b)]

OVERSIGHT BOARD TIP:

- **The Finding of Completion cannot be issued until the successor agency pays all amounts owed**
- **The meet and confer process and legal actions may delay the issuance of a Finding of Completion**

Where do Successor Agencies Stand?

- They have paid amounts owed and have **received a Finding of Completion**
- They have paid amounts owed and are **awaiting a Finding of Completion**
- They are **awaiting the outcome of the meet and confer process and have not yet made all required payments**
- They are **awaiting the outcome of litigation and have not yet made all required payments**

What is the LRPMP?

- **The LRPMP “addresses the disposition and use of the real properties of the former redevelopment agency”** [§34191.5(b)]
- **Upon approval by oversight board and DOF, LRPMP governs the disposition and use of real property assets of former RDA** [§34191.3]
 - Supersedes all other related statutory provisions [§34191.3]

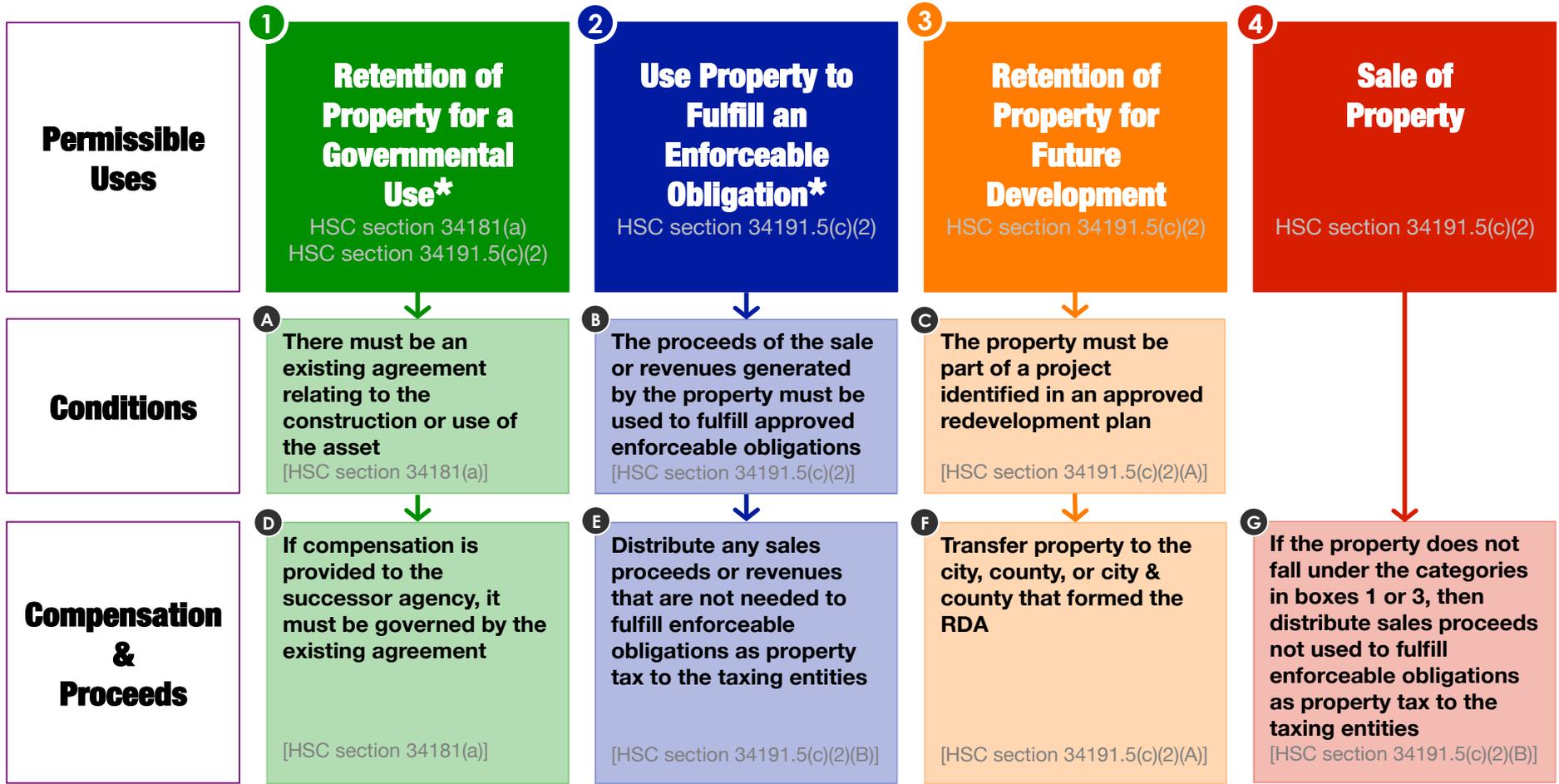
LRPMP Timeline

- **The oversight board-approved LRPMP is due no later than six months after DOF issues a Finding of Completion** [§34191.5(b)]
- **This should not be a rushed process. Take time to review documents, ask questions, and request supporting documentation when necessary**

OVERSIGHT BOARD TIP:

- **Ask successor agency to provide oversight board with all materials and at least 72-hours notice before LRPMP is considered**
- **Request that LRPMP approvals happen in regular meetings with 72-hours notice**
- **Oversight board may ask for a LRPMP presentation or study session first and schedule a second meeting to vote on the LRPMP**

LONG RANGE PROPERTY MANAGEMENT PLAN



* Properties dedicated to a governmental use and properties used to fulfill an enforceable obligation must be listed separately on the LRPMP

Elements of the LRPMP

- 1. Inventory of all properties** indicating proposed use or sale of each property [§34191.5(c)(1)]
- 2. Date acquired and intended purpose**
- 3. Value at acquisition and estimated current value**
- 4. Parcel data (address, lot size, current zoning)**

Elements of the LRPMP (cont.)

- 5. Estimate of revenue generated by property**
- 6. History of environmental contamination**
- 7. Description of transit-oriented development potential and advancement of planning objectives**
- 8. Brief history of previous development proposal/activity**

Additional Helpful Information

- General Plan designation, existing land use and assessor parcel number
- Number of buildings on site and their square footage
- How title is currently held (Former RDA, City, other)
- Aerial map including surrounding development and photograph(s) of property
- Vacancy status
- Existence of any easements
- Restrictions on resale (ex. purchased with tax-exempt bond proceeds)
- RDA investments in property to date

DOF Checklist & Worksheet

- DOF has provided a sample tracking [worksheet](#) and [checklist](#) for the LRPMP

Approaches to Property Valuation

- **Not all properties require valuation, but an estimate of current value is needed for properties that would be sold or transferred**

- **Four approaches:**
 1. Recent credible appraisal
 2. Current comparable sales in the local area
 3. Adjustment from a prior appraisal
 4. Reuse valuation

1. Recent Appraisals

Important elements of an appraisal to be checked:

- Credentials of the appraiser
- Parameters of the appraisal
 - Date of value
 - Purpose of appraisal
 - Scope of valuation
- Specific limitations or exclusions

2. Current Comparable Sales

In order to be used without an appraisal, comparable sales:

- Must be recent (not more than 5-7 years old)
- Must be located nearby
- Must be of generally comparable use and size
- Must be arms length transactions (i.e., involving parties that are unrelated and have no common interest in the outcome)

If using comparable sales alone, the oversight board may wish to seek additional input from an independent source familiar with real estate

3. Adjusting a Prior Appraisal

Can be based on either:

- A change in key “value driver” (e.g. rents for income properties or sales prices for housing)
- Trends in comparable sales

Three general considerations:

1. Was the original appraisal sufficiently recent? (i.e., not more than 5-7 years old)
2. Was the original appraisal appropriate? (e.g. arms length transaction, appropriate market valuation, etc.)
3. Are the values used derived primarily from one or two sources that are updatable? (e.g., comparable sales, retail rents, etc.)

4. Reuse Value Analysis

Two Points of View:

1. Land-use designation affects property valuation: is the potential use of the site properly designated? Was the designation made as part of a larger planned effort?
 2. Potential private use: does it have reuse value?
- For land use validation, need timeline and city general or specific plan
 - Reliable inputs (e.g., external sourcing) for land use designation: rent, expenses, and development costs must exist
 - Reference to an existing and generally comparable reuse appraisal

Oversight board may want to seek independent verification

Use & Disposition of Properties

- **The LRPMP must address the use or disposition of all properties of the former redevelopment agency**
[§34191.5(c)(2)]
- **Once the LRPMP is approved by DOF, it governs “and supersede[s] all other provisions relating to the disposition and use of real property assets of the former redevelopment agency”** [§34191.3]

Additional Oversight Board Approvals

- **The oversight board likely will not need to approve individual transfers where the transferee, price, and other details are specified in the LRPMP**
- **In instances where no transferee or sales price is stated in the LRPMP, the successor agency should present these properties to the oversight board at a later date so that the terms of the sales and the use of the sales proceeds can be considered**

Disposition Scenario #1

- **A successor agency-owned parking lot that was developed as part of a redevelopment project that included a nearby shopping center is listed in the LRPMP. The site generates revenues that may be used to pay enforceable obligations, but proceeds from the sale of the property may also be used to pay enforceable obligations.**

Disposition Scenario #2

- **A property that is not tied to an Owner Participation Agreement (OPA) or Development and Disposition Agreement (DDA) is included in the LRPMP. Future development was proposed for the site.**

Spending Bond Proceeds

- **Authorizes expenditure of proceeds derived from bonds issued on or before Dec. 31, 2010**
 - Proceeds must be spent in a manner consistent with original bond covenants
 - Excess bond proceeds obligations must be separately listed on ROPS
 - If remaining proceeds cannot be spent in a manner consistent with bond covenants, they must be used to defease bonds or purchase bonds on open market for cancellation [§34191.4(c)]

Excess Housing Bond Proceeds

- **The housing successor agency may designate the use of excess housing bond proceeds** [§34176(g)]
 - Designation must appear on ROPS and be consistent with the bond covenants [§34176(g)(1)(A)]
 - Oversight board review limited to a “determination that the designations and commitments are consistent with bond covenants and sufficient funds are available” [§34176(g)(1)(B)]

OVERSIGHT BOARD TIP:

- **Ask successor agency to provide oversight board with bond covenant provisions indicating the allowed use of bond proceeds**

Loan Agreements

Agreements entered into between former RDA and sponsoring entity are deemed enforceable obligations upon:

- Oversight board approval that loan is enforceable obligation
- Oversight board must make finding that the loan was for legitimate redevelopment purposes
[§34191.4(b)(1)]

Loan Repayment

Requirements for Loan Repayment [§34191.4(b)(2)]

- Paid according to defined schedule
- Not to begin before FY 2013-14
- Limit placed on annual repayment amount
- Interest on loan limited to Local Agency Investment Fund (LAIF) interest rate
- Amounts borrowed from the Low and Moderate Income Housing Fund (LMIHF) take priority over these loan repayments

OVERSIGHT BOARD TIP:

- **Ask successor agency to provide oversight board with original loan documents to substantiate that the loan was for “legitimate redevelopment purposes”**
- **The oversight board may wish to request that successor agencies provide references to California Redevelopment Law, highlight relevant Redevelopment Plan provisions, and list redevelopment projects and activities that would be funded by the loan to support the oversight board’s finding**

Repayment Priorities

Amounts owed to LMIHF get paid first [§34191.4(b)(2)]

- Before city loan repayment begins, successor agencies must retire any outstanding amounts borrowed from LMIHF to make Supplemental Educational Revenue Augmentation Fund (SERAF) payments
- Repayment of loans or deferrals owed to LMIHF
- After SERAF loans are repaid, 20% of city loan repayment amounts must be transferred to Low Moderate Income Housing Asset Fund (LMIHAF)

OVERSIGHT BOARD TIP:

- **The oversight board should confirm any outstanding amounts owed to LMIHF and ask for an inventory of all city loans that the successor agency plans to place on the ROPS**
- **If amounts are owed to LMIHF, the oversight board should ask the successor agency to provide a repayment schedule that details when the successor agency believes the loans will be repaid**

When Can Loan Repayment Begin?

Technically, loans may be placed on the ROPS during fiscal year 2013-14 [§34191.4(b)(2)(A)]

- However, DOF has noted that these items will be ineligible for funding until the ROPS 14-15A period
- The calculation of loan repayment amounts relies on a formula that includes the ROPS residual pass-through distributions for FY 2013-14 [§34176(e)(6)(B)]
- This number will not be known until after the ROPS 13-14B period is over

Limits on Annual Repayment Amounts

Future year revenue	\$ 6,000,000	(a)
<u>Base year revenue (FY 2012-13)</u>	<u>\$ 5,000,000</u>	(b)
Increase from base year	\$ 1,000,000	(c) = (a) - (b)
Max loan repayment amount (50% of increase)	\$ 500,000	(d) = (c) x 0.5
SERAF loan repayment	\$ 400,000	(e)
<u>LMIHF loan or deferral payment</u>	<u>\$ 0</u>	(f)
Amount available for city loan repayment	\$ 100,000	(g) = (d) - (e) - (f)
20% to LMIHAF	\$ 20,000	(h) = (g) x 0.2
80% remainder	\$ 80,000	(i) = (g) x 0.8

LRPMP Takeaways

- **This should not be a rushed process.** Take time to review documents, ask questions, and request supporting documentation as necessary.
- **Request information from the successor agency:**
 - Documents demonstrating that a project was identified in a redevelopment plan
 - Legal documents related to encumbrances affecting property value
 - Documents supporting designation of property as a government use

Unspent Bond Proceeds

- **Ask successor agency to provide bond covenants to determine permissible uses**

Loan Repayment

- **Confirm outstanding amounts owed to LMIHF and ask for an inventory of all city loans that the successor agency intends to present to the oversight board for placement on the ROPS**
- **Before approving the loan repayment, ask for documentation demonstrating that the loan is for a legitimate redevelopment purpose**
- **Amounts owed to LMIHF must be repaid first**

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Available Resources

Department of Finance Website

<http://www.dof.ca.gov/redevelopment/>

The County Auditor-Controller

<http://auditor.lacounty.gov/>

County Counsel

Successor Agency Staff Analyses/Reports

County Redevelopment Dissolution Website

<http://redevelopmentdissolution.lacounty.gov/>

Chief Executive Office

email: oversightboard@ceo.lacounty.gov